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**FISCAL IMPACT STATEMENT**

**LS 6757**

**BILL NUMBER:** HB 1124

**NOTE PREPARED:** Jan 26, 2006

**BILL AMENDED:** Jan 26, 2006

**SUBJECT:** Rainy Day Fund loans to political subdivisions.

**FIRST AUTHOR:** Rep. Buck

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill authorizes a loan from the state Rainy Day Fund (RDF) to a taxing unit whose property tax revenue collections are affected by the bankruptcy of a taxpayer that manufactures microelectronics as part of its business. The bill requires the State Board of Finance to determine the terms of the loan subject to certain restrictions. It specifies the permitted use of the loan proceeds and the manner of repayment of the loan. The bill limits the total amount of the loans to \$13,000,000.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** (Revised) This bill permits qualified taxing units to apply for up to \$13 M in loans from the Counter-Cyclical Revenue and Economic Stabilization Fund (Rainy Day Fund or RDF). A unit would qualify if it is facing a significant revenue shortfall because a taxpayer who manufactures microelectronics has filed for bankruptcy and notified the county that it will default on one or more property tax payments.

Each taxing unit's loan would be limited to amount of revenue shortfall caused by the subject taxpayer's default. Loans would be interest-free and would have to be paid back within ten years. Loans made under this proposal would not be considered bonded indebtedness.

Loan payments could be made from property tax revenues, debt service funds, or any other source of revenues legally available. At the taxing unit's discretion, property tax levies used to repay the loan may be considered either inside or outside of the property tax controls. If the levy is considered outside of the controls, then the unit would be able to increase its total levy.

The taxing units that may qualify in one taxing district are listed below. The net tax due from the bankrupt taxpayer for both real and personal property is also listed below.

<b>Taxing Unit</b>	<b>2005 Net Tax</b>
<b>State</b>	\$ 6,326
<b>Howard County</b>	1,143,153
<b>Center Twp</b>	160,521
<b>Kokomo City</b>	3,032,770
<b>Kokomo-Center Twp Schools</b>	3,642,697
<b>Kokomo-Howard Co. Pub Library</b>	223,781
<b>Howard County Solid Waste Mgnt</b>	37,165
<b>Total</b>	\$8,246,413

These taxing units would be able to ask for loans for the taxes not received from this taxpayer. It is understood that the taxpayer will miss both the May and November, 2006 payments. It is not known as to whether payments in 2007 will be affected. The actual taxes for 2006 are not known. However, they should be in the range of 2005 taxes. The maximum total of loans for all units could potentially be \$8.4 M in 2006. Taxes and loan amounts for 2007 and beyond are indeterminable, but the total of all loans for all years would be limited to \$13 M.

The balance of the Rainy Day Fund as of June 30, 2005, was \$316.5 M and is estimated to be \$328.0 M at the end of FY 2006.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Future payments of any delinquent taxes by the affected taxpayer would first be applied to reduce the outstanding loan balance. Only the amount of delinquent tax collections that exceed the outstanding loan amounts would be subject to levy excess limitations.

**State Agencies Affected:** State Board of Finance, Department of Local Government Finance.

**Local Agencies Affected:** Taxing units listed above.

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